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**Shreveport Regional Arts Council
Shreveport, Louisiana**

Financial Statements

As of and for the Year Ended June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-22-06

Shreveport Regional Arts Council
Shreveport, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements:	
<i>Statement of Financial Position</i>	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11 – 12
Summary Schedule of Audit Findings	13 – 14

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Independent Auditors' Report

To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

We have audited the accompanying statement of financial position of the Shreveport Regional Arts Council as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Shreveport Regional Arts Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shreveport Regional Arts Council as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2005 on our consideration of the Shreveport Regional Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Cook and Morehart
Certified Public Accountants
November 28, 2005

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Financial Position
June 30, 2005

Assets

Current assets:

Cash and cash equivalents	\$ 397,934
Investments	1,102,392
Grants receivable	402,978
Other receivables	45,314
Unconditional promises to give	59,750
Prepaid expenses	11,239
Total current assets	<u><u>2,019,607</u></u>

Noncurrent assets:

Long-term unconditional promises to give	104,778
Deposits	1,200
Property and equipment, net	126,864
Total noncurrent assets	<u><u>232,842</u></u>

Total Assets	<u><u>\$ 2,252,449</u></u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 55,461
Grants payable	91,955
Accrued expenses	50,597
Total current liabilities	<u><u>198,013</u></u>

Net assets

Unrestricted:

Operating	476,939
Designated	1,102,392
Fixed assets	126,864
Temporarily restricted	<u><u>348,241</u></u>

Total net assets	<u><u>2,054,436</u></u>
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Total Liabilities and Net Assets	<u><u>\$ 2,252,449</u></u>
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The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Activities
For the Year Ended June 30, 2005

Revenues, gains, support and reclassifications:	Unrestricted	Temporarily Restricted	Totals
<i>Admissions sales and concessions</i>	\$ 131,797	\$	\$ 131,797
<i>Tuition and fees</i>	138,404		138,404
<i>Individual contributions</i>	153,194	40,000	193,194
<i>Business and industry contributions</i>	380,274	11,250	391,524
<i>Foundation grants</i>	65,000		65,000
<i>Government grants / contracts:</i>			
<i>City of Shreveport</i>	675,500		675,500
<i>Other governments</i>	55,000		55,000
<i>State of Louisiana</i>	669,151		669,151
<i>Special events -</i>			
<i>Christmas in the Sky</i>	810,780		810,780
<i>Investment income</i>	27,564		27,564
<i>Net unrealized gains on investments</i>	14,935		14,935
<i>Miscellaneous income</i>	11,201		11,201
<i>Net assets released from restrictions</i>			
<i>Satisfaction of program restrictions</i>	273,673	(273,673)	
 <i>Total revenues, gains, support and reclassifications</i>	 3,406,473	 (222,423)	 3,184,050
 <i>Expenses:</i>			
<i>Supporting services -</i>			
<i>General and administrative</i>	498,525		498,525
<i>Special events fund raising -</i>			
<i>Christmas in the Sky</i>	557,518		557,518
<i>Total supporting services</i>	1,056,043		1,056,043
<i>Programs services</i>			
<i>Artbreak</i>	152,191		152,191
<i>Arts in Education</i>	82,710		82,710
<i>Artsmart</i>	235,757		235,757
<i>Artspace</i>	991,313		991,313
<i>Decentralized Arts Funding</i>	286,178		286,178
<i>Public Art</i>	54,875		54,875
<i>Regrants, Panels and other programs</i>	300,405		300,405
<i>Total programs services</i>	2,103,429		2,103,429
<i>Total expenses</i>	3,159,472		3,159,472
 <i>Change in net assets</i>	247,001	(222,423)	24,578
 <i>Net assets, beginning of year</i>	1,459,194	570,664	2,029,858
 <i>Net assets, end of year</i>	<u>\$ 1,706,195</u>	<u>\$ 348,241</u>	<u>\$ 2,054,436</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Functional Expenses
For the Year Ended June 30, 2005

	Support Services		Program Services							Total	
	General and Administrative	Fund Raising - Christmas in the Sky	Arts in Education	Artsmart	Artspace	Decentralized Arts Funding	Public Art	Regrants, Panels and Other Programs	Program Services	Totals	
Bank charges	\$ 3,811	\$ 14,825	\$	\$ 32	\$ 1,406	\$	\$ 132	\$	\$ 1,570	\$	20,206
Depreciation expense	33,123										33,123
Professional services	29,207	36,890	62,197	169,474	257,098	1,503	38,917	6,169	573,714		639,811
Salaries	245,377	77,286	8,436	19,772	62,915	23,022		1,050	134,053		456,716
Employee benefits	57,103	39,933			15,485				15,485		112,521
Payroll taxes	19,299	6,223	1,733	2,177	4,933	899			10,120		35,642
Taxes - other	316				2,222				2,222		2,538
Repair and maintenance	7,011	5,875			38,660				38,660		51,546
Equipment and facility rentals	15,661	4,931			8,394				9,614		30,206
Security	390	630			5,046				13,906		14,926
Travel											
Staff and board	8,811										8,811
Program		26,503	647	2,956	23,310	2,217	171		33,053		59,556
Promotion and printing	11,807	43,964	52	22	276,565	1,533	5,738		297,538		353,309
Postage	2,486	7,845	251	79	32,674	900	86		34,439		44,770
Telephone	13,252	175			1,726	127			2,028		15,280
Seminar fees	583			37		542			579		1,162
Supplies and fees	15,538	53,075	5,628	35,884	109,563	2,446	1,553		173,686		242,299
Insurance expense	10,248	294			16,703				16,703		27,245
Grants to other agencies						252,989		293,186	546,175		546,175
Admissions sales											
and concessions	903	2,336	617	1,546	31,207		431		59,977		63,216
Miscellaneous expense	449	1,329	3,125		3,848		7,847		16,801		18,579
Office	3,872				525				525		4,397
Awards					5,825				13,644		13,644
Dues and subscriptions	4,325		24		1,469				1,493		5,818
Utilities	1,053										1,053
Technical fees	1,810								7,911		9,721
Event expenses		235,579	6,300	3,778	90,128				99,533		335,112
Loss on disposal	12,090										12,090
	<u>\$ 498,525</u>	<u>\$ 557,518</u>	<u>\$ 82,710</u>	<u>\$ 235,757</u>	<u>\$ 991,313</u>	<u>\$ 286,178</u>	<u>\$ 54,875</u>	<u>\$ 300,405</u>	<u>\$ 2,103,429</u>	<u>\$</u>	<u>3,159,472</u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2005

Operating Activities

Changes in net assets	\$ 24,578
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	33,123
Unrealized gain on investment	(14,935)
Loss on disposal of equipment	12,090
(Increase) decrease in operating assets:	
Grants receivable	(8,044)
Other receivables	(27,586)
Promises to give	(30,250)
Prepaid expenses	22,472
Increase (decrease) in operating liabilities:	
Accounts payable	33,825
Grants payable	11,420
Accrued expenses	(10,941)
Net cash provided (used) by operating activities	<u>45,752</u>

Investing Activities

Payments for property and equipment	(37,786)
Purchase of investments	<u>(31,308)</u>
Net cash provided by investing activities	<u>(69,094)</u>

Net increase in cash and cash equivalents	(23,342)
Cash and cash equivalents as of beginning of year	<u>421,276</u>
Cash and cash equivalents as of end of year	<u><u>\$ 397,934</u></u>

The accompanying notes are an integral part of the financial statements.

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2005

(1) *Summary of Significant Accounting Policies*

A. *Nature of Activities*

The Shreveport Regional Arts Council (SRAC) is a private, nonprofit corporation governed by a board of directors and administered by a professional staff. SRAC's goal is to serve as an umbrella organization to enrich the quality of life within the region through the promotion of the Arts. SRAC's services, therefore, include providing cultural programming, scheduling and coordinating cultural activities, and other professional services directed toward its stated goal.

B. *Basis of Accounting*

The financial statements of SRAC have been prepared on the accrual basis of accounting.

C. *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

D. *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

E. *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, SRAC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

F. *Promises to Give*

Unconditional promises to give are recognized as revenues or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

G. *Investments*

Investments are stated at fair market value, based on quoted market prices.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2005
(Continued)

H. Property and Equipment

Property, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

I. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. Advertising Costs

SRAC uses advertising to promote its services among the community it serves. The costs of advertising are expensed as incurred. During 2005, advertising costs totaled \$237,406. Included in this amount is \$196,106 of in-kind contributions.

K. Employee Benefit Plans

SRAC established a Simple Retirement Account plan as of June 1, 1997, for its full and part-time employees. An employee is eligible to participate in any calendar year if the employee received at least \$5,000 of compensation during each of the two preceding year calendar years and is reasonably expected to receive at least \$5,000 in compensation during the current calendar year. Participation is voluntary, and the employee may contribute up to \$7,000 per year. SRAC matches the employee's contribution up to 3% of the employee's annual compensation, or \$7,000, which ever is less. The contribution charged to expense for the year ended June 30, 2005, was \$5,194.

L. Income Tax Status

SRAC is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SRAC's tax-exempt purpose is subject to taxation as unrelated business income. SRAC had no such income for this audit period.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2005
(Continued)

M. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the *Statement of Activities* and in the *Statement of Functional Expenses*. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

N. Accrued Absences

SRAC's policy is to pay employees upon termination for vacation time accrued up to 80 hours maximum per employee with 0– 5 years experience; up to 96 hours for employees with 5– 10 years experience; up to 120 hours for employees with 10–15 years experience; up to 144 hours for employees with 15–20 years experience; and up to 168 hours for employees with over 20 years experience. An accrued liability for vacation time of \$38,550 is included in accrued expenses at June 30, 2005.

(2) Agreement for services

Under a formal agreement for services between the City of Shreveport (the City) and SRAC, the City agrees to provide technical assistance in the planning and implementation of programs, use of certain facilities, office space and personnel and funding for programming. The fair value of the technical assistance received and use of the facilities, office space and personnel is not reasonably determinable and is not recorded as revenue. SRAC also agrees to provide certain programming services under the agreement.

(3) Concentrations of Credit Risk

SRAC maintains cash balances at several financial institutions located in the Shreveport area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2005, total cash balances held at financial institutions was \$457,666. Of this amount, \$218,468 was secured by FDIC and the remaining \$239,198 was not insured.

Concentrations of credit risk with respect to promises to give are limited due to the large number of contributors comprising SRAC's contributor base and their dispersion across different industries. As of June 30, 2005, SRAC had no significant concentrations of credit risk in relation to promises to give.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2005, SRAC had no significant concentrations of credit risk in relation to grant receivables.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2005
(Continued)

(4) Promises to Give

Unconditional promises to give at June 30, 2005 are as follows:

Receivable in less than one year	\$ 59,750
Receivable in one to five years	115,000
Less discount on promise	<u>(10,222)</u>
Net long-term	<u>104,778</u>
Net unconditional promises to give at June 30, 2005	<u>\$ 164,528</u>

(5) Investments

Investments as of June 30, 2005 consisted of the following:

	2005	
	Fair Value	Cost
Money market	\$ 23,939	\$ 24,041
Fixed income	575,265	582,337
Equities	<u>503,188</u>	<u>503,708</u>
	<u>\$ 1,102,392</u>	<u>\$ 1,110,086</u>

Unrealized gain was \$14,935 for the year ending June 30, 2005.

(6) Property and Equipment

Property and equipment at June 30, 2005, with estimated depreciable life, are summarized as follows:

Leasehold improvements	30 years	\$ 80,594
Furniture, fixtures, equipment	5-10 years	<u>123,076</u>
		203,670
Accumulated Depreciation		<u>(76,806)</u>
		<u>\$ 126,864</u>

Depreciation expense for the year ended June 30, 2005 was \$33,123.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2005
(Continued)

(7) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

For subsequent year's activities – Artspace campaign	\$ 164,528
City of Shreveport contract	170,000
Decentralized Arts Funding (DAF)	13,713
	<u>\$ 348,241</u>

(8) Designated Net Assets

The Board of Directors designated cash and investments at June 30, 2005 totaling \$1,102,392 to insure that SRAC's resources will remain stable regardless of potential changes in public or private funding.

(9) Operating Leases

SRAC leases certain office space and equipment under operating leases. Rental costs for these leases for the year ended June 30, 2005 was \$8,576. There are no commitments for these leases after June 30, 2005.

(10) Accrued Liabilities

Accrued liabilities consisted of the following:

Accrued leave payable	\$ 44,438
Payroll and sales taxes payable	6,159
	<u>\$ 50,597</u>

(11) Third Party Reimbursement

During the year ended June 30, 2005, SRAC received contractual revenue from state, parish, and city grants in the amount of \$1,399,651. The continued existence of these funds is based on annual contract renewals with various funding sources.

(12) Donated Materials, Facilities, and Services

Various materials and services were donated to SRAC by various individuals and organizations. Donated materials and services for the year ended June 30, 2005 were \$382,274, and were recorded at fair market value at the date of donation, and have been included in revenue and expenses for this year.

COOK & MOREHART

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on An Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

To the Board of Directors
Shreveport Regional Arts Council
Shreveport, Louisiana

We have audited the financial statements of Shreveport Regional Arts Council as of and for the year ended June 30, 2005, and have issued our report thereon dated November 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport Regional Arts Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Shreveport Regional Arts Council's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Regional Arts Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
November 28, 2005

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
June 30, 2005

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior year audit for the year ended June 30, 2004.

Corrective Action Plan for Current Year Audit Findings

There are two reportable conditions for the current year audit for the year ended June 30, 2005, as described below:

2005-1 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the accountant who maintains the agency's general ledger is also responsible for the following:

- Receiving the bank statements unopened from the bank.
- Reconciling the bank statements to the agency's general ledger.
- Preparing checks for mailing once required signatures are obtained.

Recommendation: We recommend that adequate internal controls be established concerning separation of duties, including the following:

- A responsible individual, other than the accountant, receive the bank statements unopened from the bank and review the activity.
- Bank reconciliations be reviewed by a responsible individual on a monthly basis.
- Custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions.

Response: A procedure will be established whereby the bank statements will be delivered directly to the assistant director unopened. She will open and review. She will initial and date the bank statements to document that her review occurred. After her review, she will forward them to the accountant.

The organization's treasurer will review bank reconciliations on a quarterly basis, and will be provided a general ledger to review to insure their agreement. He will initial and date the reconciliation to document his review of the bank reconciliation.

The organization, while limited in personnel, will review the procedures concerning the custody of checks after signature and before mailing and will seek to implement procedures to improve procedures in this area.

(Continued)

Shreveport Regional Arts Council
Shreveport, Louisiana
Summary Schedule of Audit Findings
June 30, 2005
(Continued)

2005-2 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that charges on credit card statements were not always reconciled to and supported by actual receipts.

Recommendation: We recommend that charges on credit card statements be reconciled to and supported by actual receipts prior to making payments.

Response: All employees using credit cards will be required to turn in receipts documenting purchases with an explanation regarding the expenditures program area.